

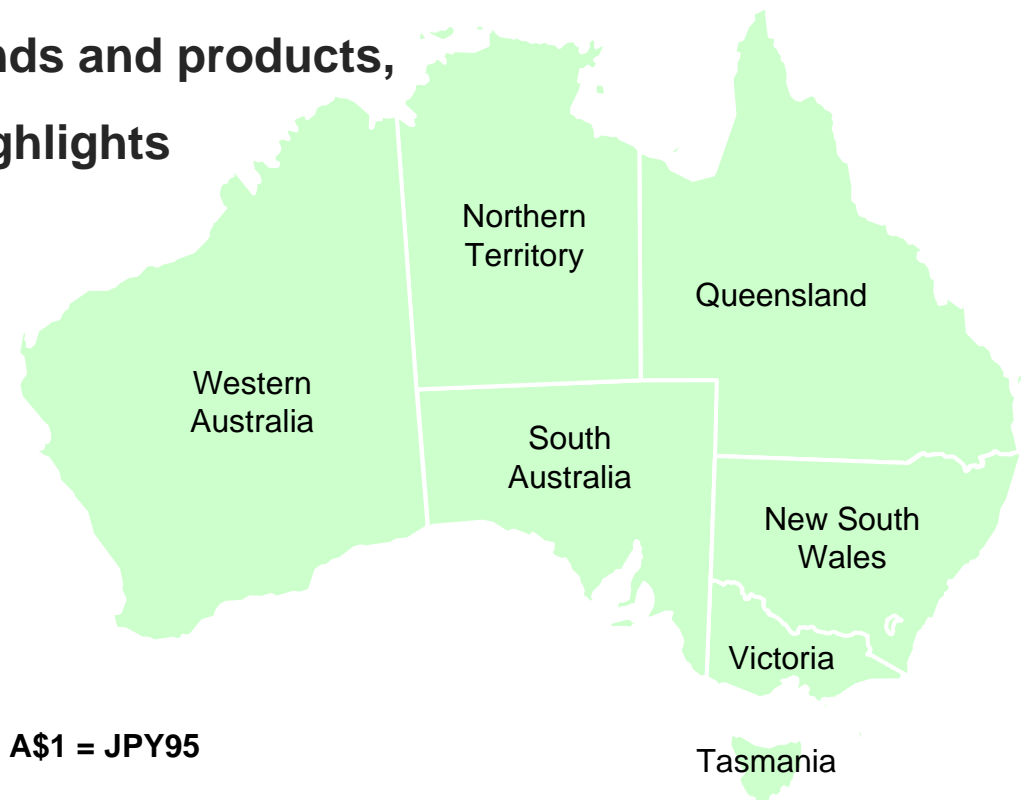
Agreement reached for National Foods to acquire all shares in Dairy Farmers

August 25, 2008

Kirin Holdings Company, Limited

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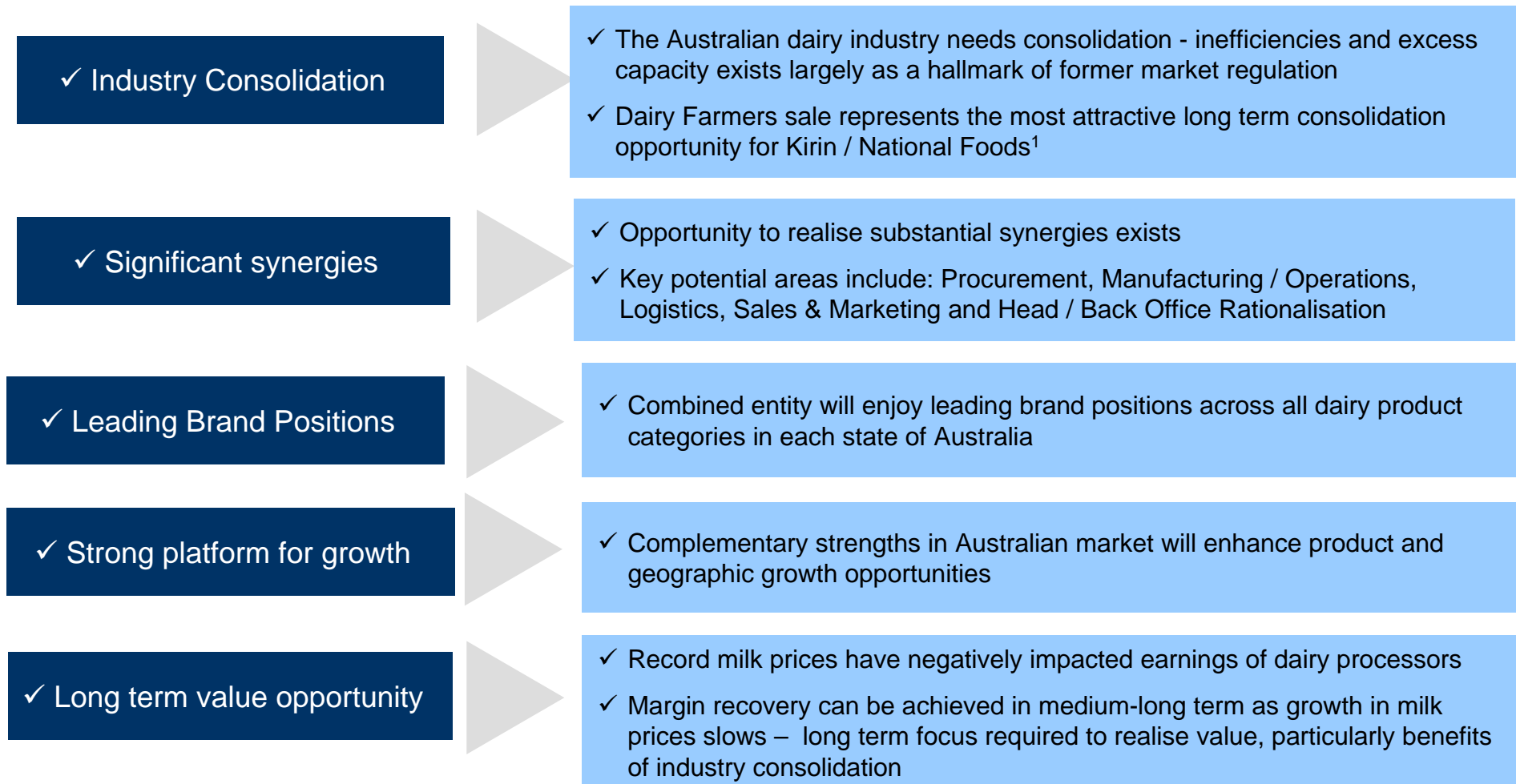
Note: Amounts in this material are calculated on the basis of A\$1 = JPY95

Transaction overview

- National Foods Limited (“NFL”) was selected as the successful bidder to acquire Dairy Farmers, and a basic sale agreement has been reached for NFL to acquire all shares in DF.
- The total planned acquisition amount is A\$884 million (approximately ¥84.0 billion, including interest-bearing debt of A\$209 million/approximately ¥19.9 billion).
Valuation multiple: EV / EBITDA* approximately 12 times
*Based on EBITDA of A\$73 million in 2008 excluding special items
- Acquisition structure: NFL is to purchase for cash all outstanding shares of DF (held by approximately 2,000 farmer members of the cooperative). Kirin Group will provide finance, with NFL sourcing funds from Kirin Holdings.
- The sale agreement is subject to the approval of at least 75% of DF shareholders.
Final approval is expected to take around three months, with completion of the transaction planned for after the end of November 2008.
- Through this acquisition, NFL is aiming to improve profitability through the stable procurement of raw milk, expand its distribution channels, and further develop a strong brand portfolio covering all categories of fresh dairy products. NFL will also pursue value chain synergies.
- It has been agreed that after completion of the acquisition NFL and Warrnambool Cheese and Butter Factory (Allansford, Australia) will establish a joint venture that will operate the acquired cheese business.

Transaction Rationale

A clear strategic rationale exists for an acquisition of Dairy Farmers



Valuation and funding

Valuation

Enterprise value (EV) of A\$884 million = A\$675 million to shareholders + interest-bearing debt of A\$209 million

Based on EBITDA of A\$73 million in 2008 excluding special items *

⇒ EV/EBITDA ratio of approximately 12 times

- * Special items: special expenses incurred from business restructuring undertaken since 2004
- DCF and a range of other methods were used to value the company
- WACC is calculated from the Kirin Holdings investment standard of 5% (base) plus a risk premium

Funding

- NFL is to procure funds from Kirin Holdings using group finance (for the cash outlay of A\$675 million (¥64.1 billion) to shareholders.
- In line with the financial strategy outlined in Kirin's revised medium-term business plan, planned funding of the transaction is by debt finance. Details are under consideration.

Goodwill and impact on consolidated financial performance

Goodwill

1. Intangible fixed assets on balance sheet (2008 est.)	A\$40 million
2. Amount of investment	A\$884 million
(minus) 3. Interest-bearing debt	A\$209 million
<u>4. Net assets on balance sheet (2008 est.)</u>	<u>A\$221 million</u>
Goodwill	A\$494 (approx. ¥47.0 bn @ A\$1 = ¥95)
(of which, brand amortization)	A\$40 million

⇒ Approximately ¥2.4 bn per year if amortized over 20 years

Impact on consolidated performance of Kirin Holdings

- The shareholder approval process has not yet been completed
- After completion of the transaction, certain businesses will need to be sold in connection with Australia's anti-monopoly laws
- Certain one-off costs will arise from the integration and rationalization of operations (restructuring costs in the first year (mainly personnel reductions) are estimated at A\$58 million, or ¥5.5 billion)
- Earnings contribution expected from sales growth and cost synergies on business integration (details to be confirmed)

As a result of the above factors, a definitive impact cannot be assessed at this point. Further information will be released as it becomes available.

Expected synergies

1. Integration in the dairy foods industry should stabilize competition and create a better environment for changes in raw materials costs to be more easily reflected in pricing

2. NFL can increase market share in areas of current weakness such as QLD and NSW.

QLD NFL share approx. 20% DF share approx. 20%

NSW NFL share approx. 30% DF share approx. 50%

Note: The above figures include private brands. Figures estimated by NFL

3. Costs can be reduced through restructuring of manufacturing plants, personnel reductions, efficiency in raw materials procurement, and other such measures

* Cost savings in the first year from consolidation and rationalization in procurement, manufacturing, distribution, sales, marketing and back office divisions is estimated at around A\$27 million (¥2.6 billion), rising to around A\$75 million (¥7.1 billion) in the 4th year when restructuring has progressed.

4. A broader range of raw milk suppliers will enable a more stable supply

Potential synergies with Kirin Group include the following:

- Progression of comprehensive beverages strategy (entry into beverage categories in Australia with high growth potential / introduction of KBC marketing and technical expertise)
- Exchange of personnel throughout the group
- Development of health and functional foods business utilizing dairy-related materials
- Acceleration of business development in SE Asia

Dairy Farmers: Company Outline

1. Company name:	Dairy Farmers (Official registered as: Australian Co-operative Foods Limited)
2. Head office:	Sydney, New South Wales, Australia
3. Representative:	Robert F. Gordon, CEO
4. Capital stock: (As of June 30, 2007)	Net assets*1: A\$206 million (Approx. ¥19.6 billion) Total assets: A\$582 million (Approx. ¥55.3 billion) *1 including Member's share capital of A\$101 million
5. Financial results:	Net sales: A\$1,175 million (Approx. ¥111.6 billion) Operating income: A\$29 million (Approx. 2.8 billion) (For FY ended June 30, 2007) Ordinary income: A\$5.4 million (Approx. ¥0.5 billion) ※A\$1.00 =¥95
6. Number of employees:	Approximately 1,800 (As of December 2007)
7. Business description:	Milk (No.2), Dairy Foods (Yogurt and Desserts) (No.2), Cheese (No.2), Other Business (Market share ranking in Australia, as of December 2007)
8. Core brands:	Dairy Farmers (milk), OAK (flavoured milk), Moove (flavoured milk), Ski (yogurt), Thick & Creamy (yogurt), COON (cheese),
9. Manufacturing base:	A total number of 12 major facilities in Australia

Dairy Farmers: Company Outline (continued)

10. Company milestones:

1900	Company established (The Dairy Farmers Co-operative Milk Co. Ltd.)
1935	Established first bottling plant in Sydney
Mid 1960s	Began producing cottage cheese and flavored yogurts
1977	Invested in Ultra High Temperature (UHT) production
1989	Acquisitions and mergers saw the formation of, Australian Co-operative Foods (ACF), to be known as Dairy Farmers.
1997	Acquired the COON, Mil Lel and Fred Walker cheese brands, and the licence for the Cracker Barrel brand. Merged with Malanda Dairy Foods and integrated the Dairy Vale business
2005	Restructured and refocused the company. Separated the FMCG business from the milk supply co-operative
2008	Planned acquisition by food and beverage company National Foods Limited

Dairy Farmers: Brands and Products

- **Milk:** Wide range of fresh and long-life milks



- **Flavoured Milk:** Range of flavoured milks and iced coffees



- **Yogurt:** *Ski* is a leading yogurt brand with approx 26% share of the everyday yogurt market. *Thick 'n Creamy* launched recently under the Dairy Farmers brand.



- **Snacks and Desserts:** Range of dairy-based snacks



Dairy Farmers: Brands and Products (continued)

- **Cheese:** Range of natural and processed cheese products



- **For Kids:** Through *Professor Cow*, this range is marketed as a “fun range of healthy dairy just for kids”



- **In the Kitchen*:** Range includes creams, sour creams, buttermilk and traditional yogurts

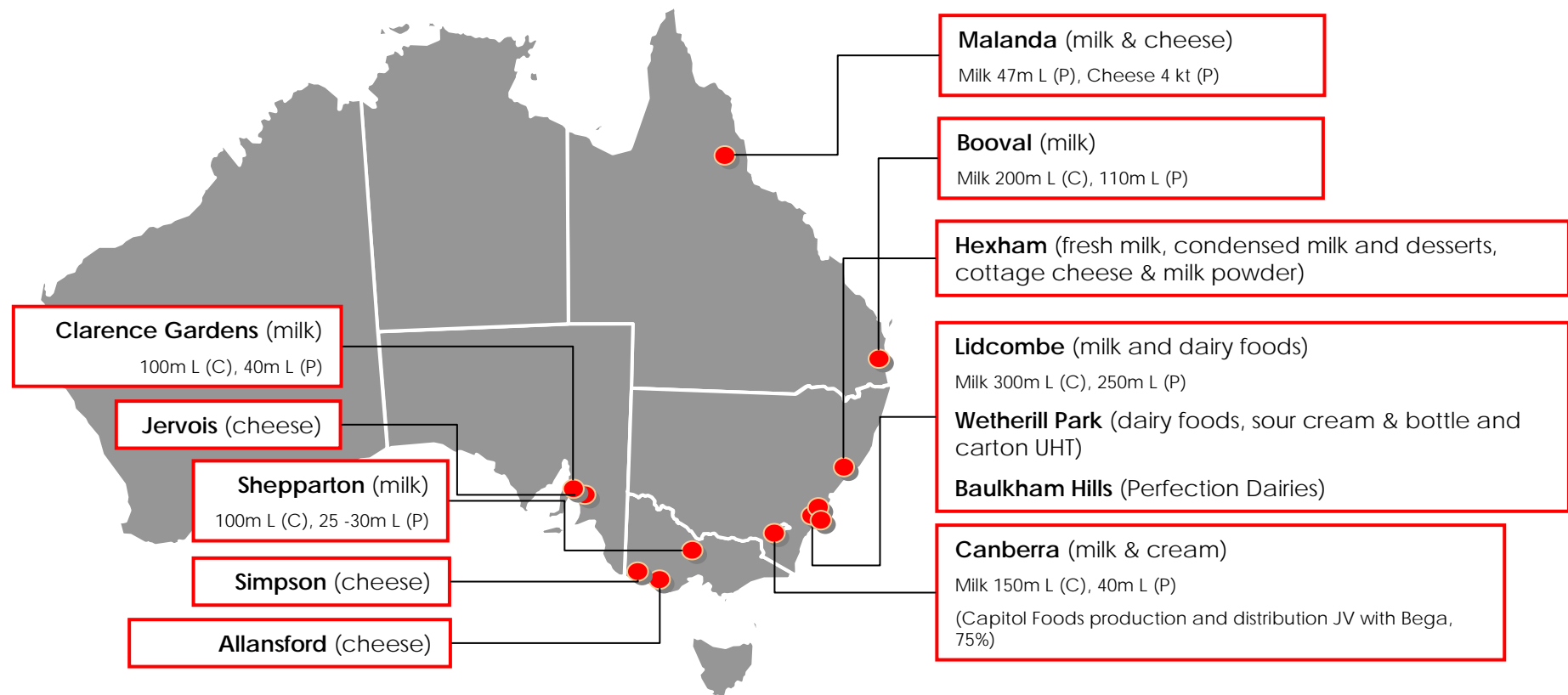


- **Foodservice:** Range catering to the foodservice industry; includes cheese, yogurt, cream, other dairy products and milk.



Dairy Farmers: Manufacturing Footprint

- Dairy Farmers has 12 manufacturing sites -- restructuring in 2005 and 2006 resulted in the closure of 4 plants
- As a result of the plant closure, Dairy Farmers has reduced its headcount by a net 27% (c. 660 employees)



Dairy Farmers: Financial Highlights

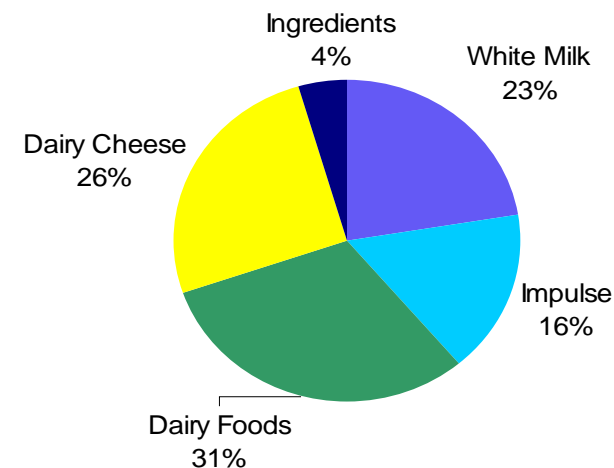
【 P&L statement excluding special items (A\$M) 】

	2005	2006	2007	2008E
Sales Volume	717	653	707	741
Sales Revenue	1,074	1,021	1,058	1,229
EBIT	43	44	46	43
EBITDA	75	74	74	73

【 Balance sheet excluding special items (A\$M) 】

	2005	2006	2007	2008E
Working Capital*	72	99	96	111
Capital Employed*	315	366	365	381
Net Asset	203	213	207	216

DF DCAM by Category



* DCAM: Delivered Contribution after Marketing cost

* Impulse consists of flavoured milk, juice and water. Flavoured milk accounts for a large share

For reference: Warrnambool Cheese and Butter Factory (WBCB)

Outline of WBCB

- Established in 1888; currently the oldest continuing dairy company in Australia
- Listed on the Australian Stock Exchange in May 2004
- Produces and sells cheese, milk powder, whey protein concentrate, butter, cream and milk (for wholesalers) for domestic and overseas markets
- More than 600 dairy farm suppliers, supplying an annual average of around 700,000kl of milk
- Main customers include DF and Kraft Foods, and export markets include Japan, England, SE Asia and the Middle East
- Current CEO is Neil Kearny, previously CFO of NFL



Financial Information				
(A\$M)	2005	2006	2007	
Revenue	321.8	350.4	366.3	
EBITDA	21.9	24.3	27.8	
Capex	16.7	14.1	8.6	
Net Debt	38.7	36.5	29.7	

Outline of planned joint venture with WBCB to be established after completion of transaction

- The cheese business of DF will be placed in and operated by a 50:50 JV with WBCB. The joint venture will manufacture cheese products, with sales undertaken by NFL.
- The scope of the JV will be limited to the production and processing (cutting and wrapping) of DF's existing cheese brands
- WBCB will supply bulk cheddar cheese to the JV, and NFL will undertake sales and marketing in Australia

For reference: Market Positions of each company 1



	National Foods Limited	Dairy Farmers	Parmalat	Fonterra	Golden Circle	Daigou Awami
Milk 2,166,000kL ¹	1 (37%)	2 (25%)	3 (17%)			
Yogurts A\$726M ²	1 (27%)	2 (28%)	3 (12%)	4 (11%)		
Dairy Desserts A\$181M ²	1 (46%)	3 (5%)	4 (8%)	2 (30%)		
Chilled juice A\$352M ²	1 (53%)				2 (13%)	3 (4%)
Ambient Juice A\$543M ²	1 (36%)				2 (21%)	
Specialty Cheese A\$290M ³	1 (52%)					

*NFL Estimation

For reference: Market positions of each company 2

Approximate milk business market share by company and state in Australia

	National Foods	Dairy Farmers	Company P	Other
NSW	30%	50%	10%	10%
Victoria	40%	<10%	40%	15%
Queensland	20%	20%	50%	<10%
South Australia	60%	20%	10%	10%
Western Australia	40%	-	-	60%
Tasmania	70%	-	-	30%
Total - National	40%	20%	20%	>10%

Planned sale of certain parts of DF

*NFL Estimation

- The proposed acquisition of DF was registered with the Australian Competition & Consumer Commission (ACCC) in March. The ACCC began a public market investigation, and identified the following points:
 - The acquisition could create a dominant market share in white milk and flavored milk in NSW and SA
 - The acquisition could create a dominant market share in yogurt nationwide
- NFL, having assessed that selling certain operations will be unavoidable with regard to the judgment of dominant market share in NSW and SA, is now formulating its own plan with the aim of retaining the maximum possible acquisition synergies while disposing of only a small number of businesses.
 - NSW: 2-year licensing out of NFL's Pura brand, and sale of DF's flavored milk business, along with sales of production and distribution facilities of both businesses as necessary
 - SA: Sales of DF's milk business (including flavored milk)

For reference: Dairy Farmers compared to National Foods おいしさを笑顔に



	Dairy Farmers	National Foods
Established	1900	1991 (F.U.S.A. <1900)
Milk Supply	1 bn litres	1 bn litres
Australia and New Zealand Manufacturing Sites	11	20
Employees	~ 1,800	~3,500
Ownership	Farmer Members	Kirin
Turnover	>\$1.0bn	>\$2.0bn
YOY Sales Growth*	↑ 16.2%	↑9.2%
EBITDA %*	5.9%	8.2%
SEGMENT LEADERSHIP		
Total Milk	[#2]	[#1]
Flavoured Milk	[#3]	[#1]
Yogurts	[#2]	[#1]
Snacks & Desserts	[#3]	[#1]

*DF – FY June 07 (Normalised); NFL – FY Dec 07 (Mgt)

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